

## ADMINISTRATIVE SERVICES DEPARTMENT

### MEMORANDUM

**DATE:** June 3, 2013

**TO:** The Oversight Board of the Successor Agency to the Former Temple City Redevelopment Agency

**FROM:** Tracey L. Hause, Administrative Services Director

**SUBJECT:** **ADOPTION OF RESOLUTION NO. OB 2013-10 AMENDING AN ADMINISTRATIVE BUDGET FOR THE PERIOD OF JULY 1, 2013 THROUGH DECEMBER 31, 2013, FOR THE SUCCESSOR AGENCY TO THE FORMER TEMPLE CITY REDEVELOPMENT AGENCY**

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#### **RECOMMENDATION:**

It is recommended the Oversight Board of the Successor Agency to the Former Temple City Redevelopment Agency ("Oversight Board"):

- a) Review the proposed Administrative Budget amendment for the period of July 1, 2013 through December 31, 2013 (i.e., "Administrative Budget"), for the Successor Agency to the Former Redevelopment Agency; and
- b) Adopt Resolution No. 2013-10 (Attachment "A") amending the Administrative Budget for the Successor Agency to the Former Redevelopment Agency.

#### **BACKGROUND:**

1. On June 29, 2011, as part of adopting the State of California Fiscal Year (FY) 2011-12 budget, the Governor signed two trailer bills, AB X1 26 and AB X1 27, into law. The legislation was effective on June 29, 2011. AB X1 26 eliminated redevelopment agencies as of October 1, 2011. Under AB X1 26 (chapter 5, Statutes of 2011), an Oversight Board was established to oversee the actions of the Successor Agency to the Temple City Redevelopment Agency (Successor Agency).
2. On July 18, 2011, the California Redevelopment Association and League of California Cities filed suit to invalidate AB X1 26 and AB X1 27.

3. On December 29, 2011, the California Supreme Court announced its decision in *CRA v. Matosantos* upholding AB X1 26 as a constitutional exercise of the Legislature's power, but striking down AB X1 27 as unconstitutional. On January 13, 2012, in the absence of any election to the contrary, the City of Temple City (i.e., "City") became the successor entity for the general functions of the Temple City Community Redevelopment Agency.
4. On February 1, 2012, every redevelopment agency in the State of California was dissolved and a successor agency was created for each redevelopment agency.
5. On February 25, 2013, the Oversight Board adopted the 13-14A Recognized Obligation Payment Schedule (ROPS) that included a line item in the amount of \$125,000 for administrative costs.
6. On March 4, 2013, the Successor Agency submitted the 13-14A ROPS to the Department of Finance.
7. On March 4, 2013, the Oversight Board adopted an Administrative Budget (Attachment "B").
8. On April 15, 2013, the City of Temple City received correspondence from the Department of Finance (Attachment "C") indicating that legal services of \$47,000 are considered general administrative costs and were reclassified. The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d), and can now be included in the Successor Agency's Administrative Budget.

### **ANALYSIS:**

The Successor Agency is allowed an administrative allowance, subject to approval by the Oversight Board. This allowance is up to three percent of the property tax within the Project Agency or at least \$250,000 for any fiscal year unless negotiated by the Successor Agency and Oversight Board.

The Successor Agency requested \$123,976 for its Administrative Budget to cover costs to administer the distribution of the Former Redevelopment Agency's (i.e., "Agency's") assets to fulfill all other obligations for the former Agency. The Administrative Budget included personnel costs, costs related to the preparation for and hosting Oversight Board meetings and costs related to meeting the requirements of AB 1484 that are not included in the 13-14A ROPS.

As a result of the Department of Finance reclassifying the legal services of \$47,000 as general administrative costs, an amendment to the Administrative Budget is required. Staff is recommending \$47,000 be reallocated from the Consultant line item to a new line item, Legal Services. The budget for legal services is for both legal counsel to the

Oversight Board (Colantuono and Levin) and the Successor Agency (Burke, Williams and Sorenson, LLP). The proposed amended Administrative Budget (Exhibit "1" of Resolution No. 2013-10) is attached.

The Department of Finance also indicated in their correspondence that the amount approved in the ROPS for legal services appears to be excessive, given the number and nature of the other obligations listed in the ROPS. This is a budget estimate and any unused funds are recaptured by the State of California, in the subsequent ROPS period. As with all activities with the Successor Agency, legal service costs are difficult to anticipate as a result of ambiguities in the law and unfamiliar processes with all agency's involved including the Department of Finance, Los Angeles County, the Oversight Board and the Successor Agency. Staff is diligent in keeping all costs related to the activities of the Successor Agency at a reasonable level, however not seeking legal advice when necessary in fear of spending too much, would be a detriment to the Successor Agency, a practice that staff will not endorse. As a result, lowering the estimate of legal services in this budget amendment is not recommended.

**CONCLUSION:**

In order to ensure the Successor Agency can collect related administrative costs related to the Successor Agency, an amendment to the Administrative Budget is required.

**FISCAL IMPACT:**

There is no fiscal impact as a result of this action; it only reallocates \$47,000 from the Consultant line item to Legal Services..

**ATTACHMENT:**

A. Resolution No. OB 2013-10

## Exhibit A

SUCCESSOR AGENCY TO THE FORMER TEMPLE CITY REDEVELOPMENT AGENCY  
AMENDED ADMINISTRATIVE BUDGET  
JULY 1, 2013 THROUGH DECEMBER 31, 2013

Personnel (Salary and Benefits)			
Administrative Services Director	\$	21,683	
Assistant to the City Manager/ Economic Development Director	\$	8,537	
Accountant	\$	11,364	\$ 41,584
Operations and Maintenance			
General Costs*	\$	97	
Consultants	\$	13,000	
Legal Services	\$	47,000	\$ 60,097
Indirect Overhead			
Overhead Costs *			\$ 22,295
Total Administrative Budget		\$	123,976

\* Per OMB Cost Allocation Plan adopted May 2011.

## Attachment B

SUCCESSOR AGENCY TO THE FORMER TEMPLE CITY REDEVELOPMENT AGENCY  
ADMINISTRATIVE BUDGET  
JULY 1, 2013 THROUGH DECEMBER 31, 2013

Personnel (Salary and Benefits)			
Administrative Services Director	\$	21,683	
Assistant to the City Manager/ Economic Development Director	\$	8,537	
Accountant	\$	11,364	\$ 41,584
Operations and Maintenance			
General Costs*	\$	97	
Consultants	\$	60,000	\$ 60,097
Indirect Overhead			
Overhead Costs *			\$ 22,295
Total Administrative Budget		\$	123,976

\* Per OMB Cost Allocation Plan adopted May 2011.



EDMUND G. BROWN JR. • GOVERNOR

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April 15, 2013

Ms. Tracey Hause, Administrative Services Director  
City of Temple City  
9701 Las Tunas Drive  
Temple City, CA 91780

Dear Ms. Hause:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Temple City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 4, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligation(s):

- Item Nos. 3 and 4 - Although enforceable, legal services totaling \$47,000 are considered general administrative costs and have been reclassified. The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate "oversight" when evaluating the administrative resources required to successfully wind-down the Agency.

Except for item(s) denied in whole or in part as enforceable obligation(s), Finance is not objecting to the remaining item(s) listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$305,000 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 180,000
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 3*	35,000
Item 4*	12,000
Total approved RPTTF for enforceable obligations	\$ 133,000
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	172,000
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 305,000</b>

\*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS\\_13-14A\\_Forms\\_by\\_Successor\\_Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

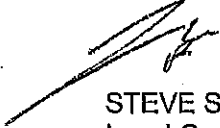
The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Ms. Hause  
April 15, 2013  
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Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at  
(916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Brian Haworth, Assistant to the City Manager, City of Temple City  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office